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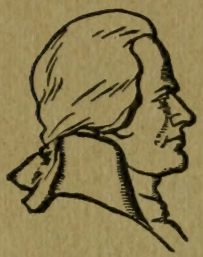
[Modern business Talks]

MOVING THE WORLD'S PRODUCTS

The difference between an ocean tramp and a land tramp is that the former works.



MODERN BUSINESS
TALK No. 30
(WITH VOLUME 15)

ALEXANDER HAMILTON INSTITUTE
NEW YORK

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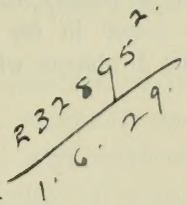
Moving the World's Products

This Talk, to be read in connection with Volume 15, forms part of READING ASSIGNMENT 30



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READING ASSIGNMENT

The current Reading Assignment consists of three parts: (1) this Talk, (2) Part II of Volume 15, "Foreign Trade and Shipping," and (3) Problem No. 15.

Do not overlook the advantage of solving the MODERN BUSINESS Problems of which No. 15 goes out with this Talk. In no other way can the subscriber assure himself so readily that he has a firm grasp of the principles stated in the Texts, as by working out the various Problems which accompany them.

Moving the World's Products

> Less than a century ago, the steam vessel was a dream of enthusiasts; today the steam tonnage represents 93 per cent of the total gross register tonnage of the world.—Page 215, Chapter II, Part II, Volume 15 of the MODERN BUSINESS Text.

To the average inland shipper in the United States the word "tramp" as applied to a steamer has an unpleasant connotation. It brings up a vision of the unkempt and unwashed, shiftless and generally dilapidated and disreputable person who traditionally appears at the back door with his request for "something to eat."

There is no ground for such association, however. The tramp steamer is a perfectly reputable and trustworthy carrier of merchandise, and without doubt most of Mr. Inland Shipper's exported goods reach their destination only after having crossed the seas in the snug hold of a tramp. But the tramp steamer enjoys a freedom of movement that is denied its more dignified cousin, the "liner." Hence its name.

The tramp goes where the business is good and stays away from the other places; it knows no schedule of sailings and has no predetermined date of

arrival. It doesn't set out half loaded in order to keep up a "service," but waits until its hold has all it can conveniently carry for ports that it can conveniently reach and at rates that afford the desired profit to its owner.

The tramp is nearly all hold. It is built to carry loads, not to break speed records. It takes its time, but generally always gets there. The tramp is decidedly in the majority. About ninety-five out of every one hundred steamships that sail the ocean are tramps. What would Chile do with her nitrates if she could not dump it thru the yawning hatches of the obliging tramp? Or South Africa with its minerals?

An Economic Necessity

Theoretically, at least, freedom of the sea is a recognized principle of international law. In times of peace no one disputes it, tho war at times subordinates justice to expediency. The author points out in the first chapter of our assignment that this freedom of the seas is not only a principle of international law, but also an element of economic law and necessary to the carrying on of present-day ocean shipping. In the words of Adam W. Kirkaldy, author of "British Shipping:"

A century ago the shipping of the world was for the most part employed in supplying luxuries solely for the well-to-do members of society; today it is the masses of mankind that benefit. Our (British) teeming population could be neither clothed nor fed were not foreign supplies obtainable. Were it not for the refrigerating ship, the meat-stuffs of South

America and Australasia could not be brought to the English market, and meat to a great extent would cease to be the food of the people. If the far-off corn lands were unable to supply us with a vast quantity of cheap corn, not only must our population be greatly diminished, but we should suffer in all our great industries.

Even tho the United States is far less dependent upon shipping for supplying the needs of its population than the British Isles, yet since it plays an important part in supplying the needs of other nations —Great Britain included—its shipping must always be a matter of importance. In a World War with a large army to maintain overseas and with allied nations looking to us for food and other necessary supplies, the matter of ships is one of the most important that can engage the attention of our Government and people. It is plain enough that without ships there can be no exporting to countries overseas—hardly even to countries on the same continent, owing to the much greater cost of overland transportation.

Our Growing Exports

It is well to remember that even before the outbreak of the great war, the exports of the United States were exceeded only by those of England and Germany. For a number of years our foodstuffs, raw materials and unfinished products have been shipped to other countries in constantly increasing quantities. Since the beginning of the war, our foreign trade—chiefly, of course, our exports—has increased by leaps and bounds until it has reached a point where its yearly volume exceeds that of any other country during

any previous year in history. Not only foodstuffs and raw materials, but manufactured goods of American make are now finding more and more profitable markets abroad.

It is a mistake to think, as some do, that our vastly increased exports are chiefly those of munitions of war and supplementary war materials for the European battle-fields. As a matter of fact, our exports of goods that have no immediate relation to the war have increased more than twice as much as that of goods that are directly employed for war purposes.

Our author, in his chapters on "Elements of Ocean Transportation," "Ocean Carriers," and "Public and Private Carriers," describes a number of interesting factors relating to ocean transportation, development of the vessel and the classification of carriers—all matters of importance to the actual and the prospective exporter.

Ingenious Customs Officials

It is not sufficient, however, that the shipper be familiar with the available means of transporting his goods to foreign ports. Frequently he finds it very desirable to know something about customs laws and the political condition in the country to which his goods go. For example, in certain Central and South American countries outrages have more than once been perpetrated upon innocent merchants by unscrupulous customs officials. These officials usually receive their appointments thru successful political factions and are therefore generally backed by the

local government, so that redress is difficult if not impossible to obtain. Mr. W. D. Aughinbaugh, in his "Selling Latin America," relates the case of a druggist in Central America who after assuring himself that the government tariff schedule admitted clinical thermometers duty free, imported a hundred of the little instruments. But the local customs officials viewed the matter differently. They classified the thermometers as "etched glass containers" and promptly assessed the druggist the regulation duty on cut-glass decanters.

Nor was that all. After some further exercise of their ingenuity, they announced that the mercury contained in the thermometers was in fact an "explosive" and was classed as such at an obviously exorbitant rate. When the druggist remonstrated and denounced the "outrage," he was promptly fined a substantial sum for his deliberate attempt to "evade the customs!"

Nor is it safe for the shipper to assume that merely because he has had the good fortune to get one shipment safely thru the custom-house without being assessed abnormal duties, his subsequent shipment will fare as well. Political movements must be reckoned with, since the customs officials usually change with each election—or with each overthrow in politically troublous times. Should there, before his second shipment arrives, be a new collector of the port with a new staff of inspectors, the shipper may discover that the new official ascribes to the goods a much higher value than did his predecessor in office.

Smuggling "Works of Art"

A certain American stationer and color printer does not to this day know whether to regard the fine to which he was subjected by a South American state as a compliment or as a barefaced robbery. He had for years been in the habit of sending to his foreign customers at the beginning of each year a pictorial calendar designed and printed in his own establishment. These had always been admitted free. This time he found it convenient to pack the calendars with the goods in the cases. That, however, made a great difference to the customs official at the port of entry. No longer were the highly-colored chromos of female beauties admitted as mere advertising matter, despite the fact that the name and address of the American stationer was still prominently printed upon the picture and despite the further fact that the twelve-leaved calendar was still attached to the bottom. The shipment was held up and a fine was imposed upon the shipper for "attempting to smuggle works of art into the country."

Where Men Wear Skirts

In their eagerness to do a foreign business, some shippers fail to observe carefully the peculiarities of peoples, tastes and habits in foreign lands. There are instances without number of goods being shipped for which no demand exists in the foreign land and for which no demand can possibly be created, simply because the people do not use goods of that nature, or

because the climate is such as to forbid their use. Of course, where experienced commission houses are engaged, such mistakes do not occur, but even where the house has its own representative it is easily possible by a little investigation to ascertain the existing market and to prevent glaring mistakes of that nature.

Some years ago an American bicycle manufacturer established an agency in Japan. A locally well-known native firm undertook to market the bicycles in Nippon. After some little time the American manufacturer received an order by cable from his Japanese agent for two thousand women's bicycles and five hundred bicycles for men. The order clerk attached a memorandum to the order in which he called attention to the obvious error. In all the experience of the firm the demand for women's wheels had never exceeded a ratio of one in three. Everybody knew that there was a much greater demand for men's wheels than for women's. Furthermore, who ever heard of Japanese women being active in sports? Plainly, the Japanese agent had got his figures twisted. And on that assumption the order was filled, a letter being sent along to explain that the error had been caught. About three weeks later a cable came from the Japanese agent. It read:

"Bicycles with cross bars not salable here, men wear skirts. Agency discontinued."

"That was a painful lesson," the manufacturer said, when years after he related the circumstances, "but it taught us to go slow about changing orders from

foreign agents. We now generally take it for granted that they know what they are doing and we follow directions to the letter."

The Pig that Came Back

Even such a relatively small and unimportant matter as changing the design or color of a label may prove disastrous in countries where illiteracy is the rule rather than the exception. A Chicago packing house was enjoying a monopoly in the Pacific islands for a brand of pork and beans. At the time when the firm first sent its goods to the islanders, it used a highly colored label which depicted a disproportionately large, corn-fed "porker" in the act of nibbling at a dish of beans. For nearly a generation the native islanders had been guided by that picture on the label in identifying the goods for which many of them could not ask by name. But the present manager of the packing house is a man of cultivated taste and with a leaning toward the esthetic. When, a few years ago, he took charge of the business, he determined to get rid of the old offensive label and to substitute for it one of more dignified design and somewhat subdued color. That meant, of course, that the pig would have to go. In its stead was shown an appetizing dish of steaming beans upon a napkin-covered tray.

Very probably, according to the rules of good advertising, the new label should have been a success, but it wasn't. The Islanders did not like the new label. For one thing, it did not have the super-fat porker, and for another, it lacked the bright and pretty colors!

When the local dealers sought to assure them that this was really and truly their old favorite dish in a new and better dress, the people did not believe it. They felt that a trick was being played on them and they would not be caught!

After trying vainly for some time to influence public opinion in the island, the packers wisely realized that unless they were willing to lose their trade in pork and beans in that part of the world, they would have to reinstate the old label. This was done, and in due time the natives once more enjoyed the savory dish from a can that bore the picture of an overfed hog in surroundings of vivid red and green.

Things to Know

In the remaining chapters of our assignment the author takes us over much interesting ground. Thus in Chapter V, he discusses ocean freight rates, and shows among other things that such rates are determined by causes other than cost and distance. Competitive conditions are responsible for a situation in which, as the author says, "sometimes freight will be carried at a rate that does not more than cover the operating expenses. In other cases the charges extracted from the trade may seem exorbitant, the carrier being able to charge 'all the traffic will bear.' "

How to fill the ship most economically with a mixed cargo, that is to say, how to obtain the largest revenue—space and carrying capacity duly considered —is necessarily always a problem in view of the fact that some goods "weigh more than they measure,"

while others "measure more than they weigh." That there is a scientific method of determining the relative volume to be carried of such widely different commodities as copper and lumber is shown in the same chapter.

A Practical Difficulty

Sometimes American business men are accused of lack of enterprise by those who desire to see a preponderating American merchant marine. Such critics do not take into consideration the difficulties which stand in the way of such a project. It is not that we cannot build ships or that we lack the materials or (under normal conditions) the workmen to build them; it is not that our vessels cannot compete with those of foreign build in speed and carrying capacity; but our mode of living imposes a higher wage scale than that which obtains in Europe. Our officers and engineers are as capable as can be found anywhere, but they demand higher salaries than their European brethren receive. We also surround our sailors with more stringent protective regulations in the matter of comfort, health and safety. All this necessarily tends to increase the cost of operation and to that extent to give our competitors an advantage.

Concluding Chapters

The author in Chapter X describes the condition of American shipping of recent times and some of the regulations that have an important bearing upon the subject. His final chapter gives us an insight into the

future of American and Canadian shipping. Here we are introduced to the United States Shipping Board and to a consideration of its regulating power as conferred by the Shipping Act. The question of government ownership of ocean carriers, which repeatedly has been raised, is briefly discussed, and the status of Canadian shipping is likewise concisely presented.

The entire assignment is so full of practical and timely subjects that the reader cannot afford to overlook any part of its contents.

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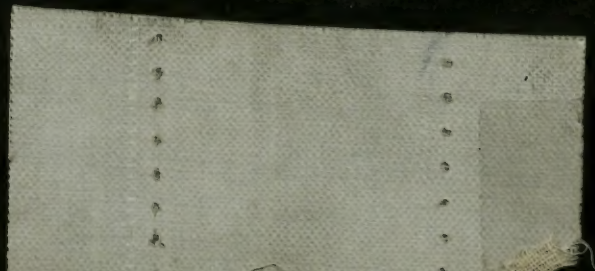

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